



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)	ORDER OF APPROVAL
SERVICE ELECTRIC AND GAS COMPANY)	
PURSUANT TO N.J.S.A. 48:3-7 AND 48:3-9 FOR)	
AUTHORITY, THROUGH DECEMBER 31, 2011,)	
TO SELL AND/OR ENCUMBER PROPERTY)	
AND PURCHASE, ISSUE AND SELL DEBT)	DOCKET NO.: EF09030223

(SERVICE LIST ATTACHED)

BY THE BOARD:

Public Service Electric and Gas Company ("Petitioner"), a public utility of the State of New Jersey, filed a petition dated March 20, 2009, requesting authority through December 31, 2011 to do the following: (1) to execute and deliver pursuant to N.J.S.A. 48:3-7 one or more indentures or supplemental indentures and/or one or more pledges, Uniform Commercial Code ("UCC") financing statements and related agreements and instruments, creating one or more encumbrances and/or liens on the property and/or assets of Petitioner and providing for pledges, transfers or sales of assets and/or issuance of its First and Refunding Mortgage Bonds ("Mortgage Bonds") and/or Medium-Term Notes ("MTNs") and/or debenture bonds ("Debentures") and/or promissory notes ("Notes") and/or other debt instruments and/or evidences of indebtedness, secured or unsecured (collectively "New Long-Term Debt"), having maturities of from 1 to 40 years; (2) to purchase through tender offer, open market or negotiated transactions, redeem at a premium or defease any or all of its currently outstanding debt payable more than 12 months after the date of original issuance ("Outstanding Long-Term Debt Securities") and currently outstanding shares of its preferred stock ("Outstanding Preferred Stock") at or above par to achieve cost savings or a more efficient management of its capital structure; and (3) to issue and sell, pursuant to N.J.S.A. 48:3-9, New Long-Term Debt in aggregate principal amount (a) of not more than \$1,300,000,000 and (b) as necessary to cover principal, premiums and expenses incurred to refinance Outstanding Long-Term Debt Securities and Outstanding Preferred Stock acquired as described in (2), above.

Petitioner has requested that this Board grant the approvals requested herein in the form of a "one order" approach, meaning that, except as specifically defined, the actions necessary to effectuate the transactions authorized by this Order can be taken without further Order of the Board.

Petitioner maintains that it needs the flexibility to access the capital and credit markets under a range of market conditions so that it can achieve the lowest attainable cost of financing, and has therefore requested authority to, as appropriate market opportunities arise, issue and/or sell New Long-Term Debt, as described above, in one or more market or negotiated transactions (each a "Transaction"), including, but not limited to, domestic and/or non-U.S. public sales, private placement, loans, swaps, puts, calls, multi-mode programs and provide related security interests, guarantees or other credit support and create encumbrances related to the Transactions entered into by Petitioner or indirectly through a special purpose entity ("SPE") for the benefit of Petitioner. Petitioner also requests authority to utilize one or more agents, dealers, underwriters, purchasers, managers and/or institutions selected by it. According to the filing, the cost to Petitioner would be determined based on the lowest market clearing level achievable given the demand from investors, and would therefore be the lowest obtainable that, in the judgment of Petitioner, would allow for the issuance and/or sale of the New Long-term Debt. Petitioner also seeks authority to issue and/or sell New Long-Term Debt on a competitive basis, without further Order of this Board if, after public invitations, at least two independent bids for the purchase of the New Long-Term Debt Securities are received, and Petitioner accepts the bid which produces the lowest annual cost of money and the price to Petitioner in such bid is no less than 97% of principal amount and no more than 102% of principal amount.

Petitioner has stated that MTNs, if authorized, would be issued in either institutional or retail markets in one or more series through one or more agents, dealers, underwriters, purchasers or managers with maturities of from one to thirty-five years and with various specified conditions including redemption provisions. MTNs will be sold at 100% of principal amount or at a discount. Secured MTNs will be secured with a global bond of Petitioner that will be a series of Mortgage Bonds or a global Mortgage Bond. Secured MTNs will be issued pursuant to the Indenture of Trust dated as of July 1, 1993 between Petitioner and The Bank of New York Mellon, as successor Trustee, providing for the issuance of MTNs in one or more series from time to time without limit as may be supplemented by supplemental indentures thereto ("MTN Indenture"). Unsecured MTNs will be issued under an indenture between Petitioner and a trustee to be selected by it, providing for the issuance of one or more series from time to time without limit as may be supplemented by any supplemental indentures.

According to the petition, the maximum spread over the U.S. Treasury securities in the table ("MTN Spread Table") below are based on current and historical market conditions, and are designed to allow for ordinary market volatility:

MTN MAXIMUM SPREADS

<u>Range of Maturities</u>	<u>Maximum Coupon Spread</u> <u>Over U.S. Treasury Securities</u> <u>(Basis Points)</u>
1 Yr. to less than 18 Mos.	425
18 Mos. to less than 2 Yrs.	435
2 Yrs. to less than 3 Yrs.	445
3 Yrs. to less than 4 Yrs.	455
4 Yrs. to less than 5 Yrs.	465
5 Yrs. to less than 7 Yrs.	475
7 Yrs. to less than 10 Yrs.	485
10 Yrs. to less than 15 Yrs.	495
15 Yrs. to less than 20 Yrs.	505
20 Yrs. to less than 35 Yrs.	515

To provide Petitioner with the flexibility to take advantage of opportunities to obtain tax-exempt financing, government-subsidized loans and/or government-guaranteed financing (individually and collectively, "Government Financing"), Petitioner has requested authority to issue New Long-Term Debt to federal, state, county or other governmental financing authorities, such as to the New Jersey Economic Development Authority, the Pollution Control Financing Authority of Salem County, the U.S. Department of Energy, or to other governmental agencies (each, a "Governmental Authority") to service and secure and/or guarantee or provide credit-support for loans from or obligations (including guarantees) of such Government Authority on behalf of Petitioner ("New Government Authority Debt"). According to the Petitioner, any such Transactions would be made in compliance with the technical requirements of the applicable financing, tax or other law or regulation, and would be evidenced by one or more loan or sale agreements to be entered into between Petitioner and the respective Government Authority and/or others. Depending on the terms of the Transaction, Petitioner may pledge, transfer or sell assets to a Government Authority, an SPE or others and create liens on assets similar to those described for Asset-Backed Debt below.

As stated in the petition, the timing and specific form of any Transactions, the amount, the price to be paid to Petitioner, the rate of interest, maturity, redemption provisions and prices and the type, terms and conditions of the Transactions have not yet been determined, as they will depend upon the market conditions at the time of issuance and sale. To respond to prevailing market conditions, Petitioner requests authority for such New Long-Term Debt to have maturities of up to 40 years, to include conventional, floating or variable rates, puts, calls, remarketed, swaps, options or other terms and conditions as needed, and to include one or more of the types of securities, instruments or evidences of indebtedness and be issued and/or sold pursuant to one or more of the Transactions as described in the petition.

Petitioner requests authority to issue Long-Term Debt in the form of Mortgage Bonds, including a global Mortgage Bond issued to service and secure MTNs under the First and Refunding Mortgage dated August 1, 1924, from Petitioner to US Bank National Association, as successor Trustee, as supplemented and amended and as to be supplemented by a Supplemental Indenture for each series of the Mortgage Bonds to be dated the first day of the month of issuance and sale of the Mortgage Bonds ("Mortgage"). The Mortgage is a first lien on substantially all the property and franchises of Petitioner, now owned or hereafter acquired. The terms and conditions for the Supplemental Indenture for each series will be determined prior to the issuance of each series. The MTNs would be issued under the MTN Indenture or, if necessary, a supplemental indenture, or under a new indenture to be entered into between Petitioner and a trustee to be selected by it.

Any authorized Debentures would be issued under one or more indentures and one or more supplemental indentures to be entered into between the Petitioner and a trustee, and would be unsecured obligations of the Petitioner, unless, such Debentures were secured obligations in connection with New Asset-Backed Debt as described below.

Any authorized Notes would be issued under one or more loan agreements, and would also be unsecured obligations of the Petitioner, unless such Notes were secured obligations in connection with Government Authority Debt or New Asset-Backed Debt, as described below.

Petitioner has also requested authority to issue and sell New Long-Term Debt consisting of secured receivables financing and other asset-backed debt transactions. Long Term-Debt consisting of secured receivables, asset-backed securities and/or debt instruments secured by cash, accounts, bills receivable and/or other assets not encumbered by the lien of the Mortgage (collectively, "New Asset-Backed Debt"), would be issued pursuant to one or more indentures and/or agreements, and/or one or more supplemental indentures. New Asset Backed Debt would be issued directly by Petitioner or indirectly by an SPE whose obligations may be guaranteed by Petitioner. Depending on the terms of a New Asset Backed Debt transaction, which, according to Petitioner, will be subject to then-current market conditions and cannot be determined at this time, assets may be pledged, transferred or sold to an SPE or other party. The related indenture, pledge and/or other agreement or instrument would create a lien on the assets which would be perfected by the filing of one or more corresponding financing statements under the UCC. However, issuance of any New Asset-Backed Debt will be made only upon further Order of the Board.

Petitioner has stated that the New Long-Term Debt, if approved, will provide financing for Petitioner's physical plant and facilities, for construction and/or for other general corporate purposes so that Petitioner can continue to provide safe, adequate and proper service to the public of light, heat and power, as well as for the refunding of \$300,000,000 of its MTNs, Floating Rate Series B, and for the refunding, redemption, purchase or defeasance of Outstanding Long-Term Debt Securities and Outstanding Preferred Stock. Petitioner proposes that the proceeds from the sale of New Long-Term Debt be added to the general funds of the Petitioner and then be applied as follows: (a) to the payment, at or before maturity, of all or any portion of its indebtedness, if any, outstanding under its commercial paper program and other outstanding short-term promissory notes which were issued to pay at maturity, refund, redeem, defease or purchase the Outstanding Long-Term Debt Securities, Outstanding Preferred Stock, and

any required premiums and other related expenses; (b) to reimburse Petitioner's Treasury for internally generated funds used for the payment at maturity, refunding, redemption, defeasance or purchase of the Outstanding Long-Term Debt Securities, Outstanding Preferred Stock and any required premiums and other expenses therefore; (c) to provide for the retirement of the Outstanding Long-Term Debt Securities and retirement of the Outstanding Preferred Stock; (d) for construction purposes; and/or (e) for other general corporate purposes.

By letter dated June 19, 2009, the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") indicated that it did not oppose the action requested by the petition under certain conditions. Those conditions have been incorporated into this Order.

This Board, after investigation, having reviewed the petition and exhibits submitted by the Petitioner in this proceeding, and having considered the comments of Rate Counsel and the recommendation of Board staff, and being satisfied that the actions proposed to be taken by Petitioner as indicated above are to be made in accordance with law, and are in the public interest, and approving the purposes thereof, HEREBY ORDERS that Petitioner is HEREBY AUTHORIZED, from time to time through December 31, 2011, without further Order of this Board: (1) to execute and deliver pursuant to N.J.S.A. 48:3-7 one or more indentures or supplemental indentures and/or one or more pledges, UCC financing statements and related agreements and instruments creating one or more encumbrances and/or liens on the property and/or assets of Petitioner and providing for pledges, transfers or sales of assets and/or issuance of its New Long-Term Debt in one or more series, having a maturity of not greater than 40 years; (2) to purchase through tender offer, open market or negotiated transactions, redeem at a premium or defease any or all of its Outstanding Long-Term Debt Securities and Outstanding Preferred Stock at or above par to achieve cost savings or more efficient management of its capital structure, and (3) to issue and sell pursuant to N.J.S.A. 48:3-9, New Long-Term Debt in aggregate principal amount (a) of not more than \$1,300,000,000 and (b) as necessary to cover principal, premiums and expenses incurred to refinance Outstanding Long-Term Debt Securities and Outstanding Preferred Stock acquired as described in (2), above.

This Order is issued subject to the following provisions:

- 1) Petitioner may issue the New Long-Term Debt and do the refinancing of its Outstanding Long-Term Debt Securities and Outstanding Preferred Stock without further Order of this Board provided that such issuance is in compliance with this Order.
- 2) With respect to each issue and sale of New Long-Term Debt through competitive bidding, Petitioner shall provide this Board with the following material for informational purposes, as soon as it is available, and in no event later than one (1) business day prior to the time for the receipt of bids (which materials may be provided by mail or by electronic mail and confirmed by mail): (a) a statement with respect to the bidding for the New Long-Term Debt which shall specify (i) the date and time for the receipt of bids for the New Long-Term Debt, (ii) the principal amount of the New Long-Term Debt, (iii) the series designation of the New Long-Term Debt, (iv) the minimum and maximum percentage of principal amount which may be specified in the bid as the purchase price for the New Long-Term Debt, (v) the term of the New Long-Term Debt, (vi) the terms and conditions upon which the New Long-Term Debt may be redeemed, whether at the

option of the Petitioner, pursuant to any sinking or improvement fund for the New Long-Term Debt, or otherwise, and (vii) such other provisions as may be established by Petitioner with respect to the term and conditions of the New Long-Term Debt and the bidding; and (b) an assessment of the then current financial markets applicable to the New Long-Term Debt which shall include (i) data respect to recent sales of comparable bonds of other utilities, (ii) data with respect to current yield on certain outstanding Mortgage Bonds of Petitioner, (iii) interest rate spreads between United States Treasury Bonds and comparable utility bonds, (iv) the anticipated number of bidders for the New Long-Term Debt, (v) the anticipated range of the yield of the New Long-Term Debt based upon current market conditions, and (vi) such other information relevant to assessing the expected sale for the New Long-Term Debt and the reasonableness of the expected annual cost of money rate.

If, pursuant to competitive bidding procedures, (a) at least two independent bids for the purchase of New Long-Term Debt are received, (b) Petitioner accepts the bid which produces the lowest annual cost of money, and (c) the price to Petitioner in such bid is no less than 97% of principal amount and no more than 102% of principal amount, Petitioner may, without further Order of the Board, issue and sell the New Long-Term Debt in accordance and with the terms and conditions contained in such accepted bid. If (x) only one bid is received for the New Long-Term Debt, or (y) Petitioner proposes to accept the bid which does not produce the lowest annual cost of money, or (z) the accepted bid provides for a price to the Petitioner of less than 97% of principal amount or more than 102% of principal amount, the proposed issuance and sale of the New Long-Term Debt shall not be consummated until further Order of the Board authorizing such issuance and sale has been entered.

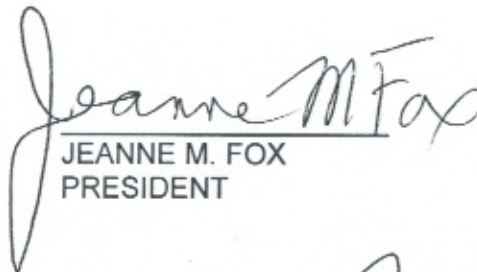
- 3) Petitioner shall issue the New Long-Term Debt solely for the purposes authorized in this Order.
- 4) Petitioner shall not issue MTNs at coupon rates in excess of the MTN Spread Table in this Order. In the event that market conditions change, Petitioner may file an updated MTN spread table with the Board for approval, provided that any such updated MTN spread table is accompanied by Petitioner's statement of the basis or rationale for the requested changes.
- 5) Petitioner shall telephonically notify the Chief Economist prior to its issuance of New Long-Term Debt, and shall furnish the following for informational purposes only: (a) principal amount or amounts of the New Long-Term Debt proposed to be issued and sold; (b) anticipated maturity ranges; (c) actual current yields of U.S. Treasury Securities; (d) range of estimated coupon spreads over U.S. Treasury Securities; (e) data, as available, with respect to recent sales of comparable debt issuances of other utilities; (f) the identity of any Government Authority, (g) the identity of any SPE, (h) anticipated material terms of the New Long-Term Debt, including redemption provisions; (i) any related pledges, transfers or sales of assets; (j) a summary description of the contemplated Transaction, and (k) such other information deem relevant to assessing the reasonableness of the expected sale of the New Long-Term Debt.
- 6) As promptly as practicable, after the issuance and sale of any New Long-Term Debt, Petitioner will provide the Chief Economist with the information Petitioner relied on in making its decision to sell, such as market data with respect to utilities with similar credit ratings that have issued comparable debt.

- 7) As promptly as practicable following the issuance of New Long-Term Debt, Petitioner shall file with this Board a statement describing the Transaction concluded, including: (a) the names of the agents, dealers, underwriters, purchasers, managers, institution and/or Government Authority with respect to any Government Financing; (b) principal amount, maturity date, interest rate (and the interest rate spread over comparable U.S. Treasury Securities), redemption provisions, security interest, and other material terms, including the pledge, transfer or sale of assets, and commissions; and (c) the use of proceeds.
- 8) Petitioner shall furnish this Board, as promptly as practicable following the issuance of New Long-Term Debt, with a copy of the following: (a) all material agreements between the Petitioner and any Government Authority; (b) any agent/dealer/underwriter/purchaser/manager agreement; (c) each Indenture and/or Supplemental Indenture; (d) any UCC financing statement, security agreement and/or pledge; (e) all documents as executed and filed with other regulatory agencies relating to the New Long-Term Debt, and (f) all material agreements related to the Transaction.
- 9) With regard to refinancing to achieve cost savings or a more efficient capital structure, Petitioner will, as promptly as practicable following the financing, provide to the Chief Economist a statement of the rationale for the Transaction and, if applicable, detailed analysis of the savings realized from each such financing.
- 10) The New Long-Term Debt authorized herein shall not be redeemed at a premium prior to maturity without further Board approval unless to achieve cost savings or a more efficient capital structure.
- 11) New Asset-Backed Debt shall not be issued except pursuant to further Order of this Board.
- 12) This Order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
- 13) This Order shall not affect nor in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation or any other matters affecting the Petitioner.
- 14) This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
- 15) Petitioner should undertake long-term debt financings in a manner that achieves the lowest reasonable cost of capital for customers.
- 16) The proceeds of the long-term debt issuance should be used for the purposes identified in the Petition and not to fund unregulated operations or affiliates.

- 17) The Board's approval of the Petition should not constitute pre-approval of any cost recovery from customers or set ratemaking.
- 18) Petitioner is obligated to use a prudent mix of capital to finance its utility operations and investments.
- 19) The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2011.

DATED: 7/1/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

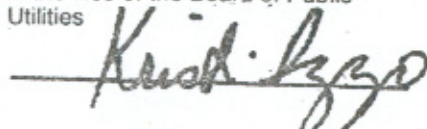

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

In the Matter of the Petition of Public Service Electric and Gas Company Pursuant to
N.J.S.A. 48:3-7 and 48:3-9 for Authority, Through December 31, 2011 to Sell
and/or Encumber Property and Purchase, Issue and Sell Debt

Docket No. EF09030223

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